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In the United States  
Circuit Court of Appeals  
For the Ninth Circuit.

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RALPH MURPHY and DONALD GALLAHER,  
*Appellants,*

*vs.*

WARNER BROS. PICTURES, INC., a corporation,  
*Appellee.*

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APPELLEE'S BRIEF.

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**FILED**

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**APPELLEE'S BRIEF.**

---

**Statement of the Case.**

This is an appeal by the plaintiffs from a summary judgment against them. The dispute concerns the title of the defendant to talking motion picture rights in a play, as distinguished from a motion picture version unaccompanied by spoken words. The original play was written by the plaintiffs and copyrighted under the title "The Nightmare", though produced and known as "Sh! The Octopus". In 1928 plaintiffs conveyed certain rights in the play to the predecessor in interest of the defendant. In 1937 the defendant produced a modern motion picture under the title "Sh! The Octopus", and based upon said literary work. The ultimate issue, therefore, as disclosed by the record, is whether the appellants under the terms of a specific document attached to their complaint, the execution of which is not controverted, granted thereby

such rights in and to the play entitled "Sh! The Octopus" as would entitle the appellee, as the owner of all rights granted under such document, to make, produce, distribute and exhibit a modern motion picture in the year 1937.

The contract in question is dated April 30, 1928. Appellants contend that only such rights were conveyed thereby as would enable the grantee, or its assigns, to produce a silent motion picture, and that the actual production by the appellee of a talking motion picture based upon the play in question constitutes an infringement or misappropriation or unauthorized use of the dialogue of the play. Appellee herein asserts that the rights granted under the contract were sufficient to authorize the modern talking motion picture actually produced.

Appellants also contend that, since the judgment rendered was summary, a further question is presented as to the propriety of such judgment, and assert that, regardless of the apparent scope of the grant of rights in the contract presented, there was in existence in 1928 at the time of the execution of the contract a trade usage or trade custom, under which the meaning of the actual language used in the contract was restricted and limited so that thereby no more rights were conveyed than appellants claim, and that the assertion of the existence of such trade usage or trade custom presented an issue of fact which could not be determined by the trial court herein on proceedings for summary judgment upon the record before it, and now before this court.

The issues for decision herein are, therefore, two, though such issues are interrelated. These are, first, what is the extent of the rights granted under the con-

tract of 1928 and, second, was a controverted question of fact presented by the assertion of the existence of a trade custom or usage claimed to be of such nature as to restrict and limit the apparent scope of the grants contained in such contract? That these questions, and these questions alone, are presented upon this appeal may be seen from the respective pleadings of the parties.

The "Amended Complaint for Infringement of Copyright" of the appellants purports to include two causes of action. In the first of such causes of action appellants allege themselves to be the authors of a dramatic composition entitled "The Nightmare" [Par. V, Tr. p. 3], which appellant Murphy copyrighted under such title December 9, 1927 [Par. VI, Tr. p. 4], and which composition was subsequently produced upon the stage under the title of "Sh! The Octopus" [Par. VII, Tr. p. 5]. They allege [Par. VI, Tr. p. 4] that ever since the time of such copyright they have been the sole and exclusive owners of the copyrighted work and have been the proprietors in particular of what they describe as the dramatic, radio and television, talking and dialogue rights in such copyright. It is further alleged that in 1937 and 1938 the defendants infringed upon such copyright by the production and distribution of a dialogue and talking motion picture photoplay which was copied largely from the play in question [Par. VII, Tr. pp. 4 and 5]. Such purported first cause of action is obviously the same cause of action as is stated in greater detail in the separate statement thereof presented as the second cause of action, that is to say, the first cause of action is cast as nearly as possible in the form of a common count, and the second cause of action merely expands the same through the allegation of details.



Though in the first cause of action the identity of "The Nightmare" and "Sh! The Octopus" is plainly the same, in the second cause of action this fact is specifically alleged [Par. II, Tr. p. 6]. In paragraph IV [Tr. p. 7] plaintiffs allege their conclusion that, by the agreement, a copy of which is attached as "Exhibit A", they granted, licensed and sold the "motion picture rights" in the play, "together with the right to utilize music or orchestration or sounds in conjunction therewith", to the predecessor in interest of the appellee. It is then alleged that at such time there was in existence throughout the motion picture trade and industry a trade custom and trade usage to sell or buy rights according to a particular classification, and that, thereunder, what the plaintiffs refer to as dialogue and talking rights would not pass by grant unless specifically mentioned [Tr. pp. 7-9]. At paragraph V [Tr. p. 9] it is alleged that the original grantee under such contract had assigned all its rights thereunder to the defendant and present appellee.

The defendant and appellee, Warner Bros. Pictures, Inc., filed its answer [Tr. pp. 42-59, incl.], under which it was denied [Par. VI, Tr. pp. 44 and 45] that the plaintiffs were now the owners of the rights claimed by them and it was affirmatively alleged that such rights as were necessary for the making of a talking motion picture, as opposed to a silent motion picture, had been conveyed under the terms of the contract involved [see, also, Par. II, Tr. pp. 46 and 47]. The assignment of all rights under the contract from the original grantee to Warner Bros. Pictures, Inc., was admitted as alleged [Par. V, Tr. p. 48], and it was likewise admitted [Par. VI, Tr. pp. 48 and 49] that the defendant did produce a talking motion picture photoplay in the year 1937, and that such photo-



play was based upon the literary material acquired under the terms of the agreement. Certain provisions of the contract are then affirmatively set forth verbatim [Par. II, Tr. pp. 52 to 54] and it is alleged that [Tr. p. 55] the language therein used had been judicially determined to embrace not only silent motion picture rights, but talking motion picture rights as well. Though such answer sets up five separate defenses and contains other assertions and complete denials of all the allegations of the complaint not specifically admitted, the foregoing description is sufficient, we believe, to demonstrate that the question before the court involved only the interpretation, scope and meaning of the specific document alleged and admitted to be the document by which rights of the respective parties must be determined.

The answer of the defendant was filed March 20, 1939. Thereafter, by notice and motion dated June 12, 1939, defendant moved for summary judgment [Tr. pp. 61-64]. Such motion should not be confused with a somewhat similar motion filed January 6, 1939 [Tr. pp. 21-25], which earlier motion was, by permission of the court, withdrawn without prejudice at the time of the hearing on February 20, 1939 [Minute Order, Tr. pp. 29 and 30]. Hearing of the motion for summary judgment was had July 17, 1939, before the Honorable Harry A. Hollzer, District Judge, and was at such time granted [Minute Order, Tr. pp. 81-83], upon which the formal summary judgment was rendered and filed [Tr. pp. 83-86].

## ARGUMENT.

Appellee has herein stated that the issue before this court is primarily one of the interpretation of the contract of the parties as written, and that the subsidiary question concerning the existence of a trade custom or usage which would limit the apparent scope of the contract presents only an issue of law primarily determined from the terms of the contract itself, as the language of such contract has been judicially determined. Appellants, as their "Basis of Appeal" (Op. Br. p. 6), appear to rely entirely upon their claim that a controverted issue of fact, which would preclude a summary judgment, is presented upon the question of the trade custom alleged. Such "Basis of Appeal" is not followed in argument in that the first point presented (Op. Br. pp. 9-13) considers the meaning of the language of the contract, but from an extremely limited point of view. Therein appellants assert that the motion for summary judgment stated that the contract "specifically" granted certain rights, but that, in fact, the contract contains no such "specific" grant. The argument completely avoids discussion of the grant actually contained in the contract of "the exclusive, complete and entire motion picture rights", which language appellee submits does constitute, under the law, a specific grant of the motion picture rights as a genus, such genus, of necessity, being inclusive of all species. Except for such superficial argument it would seem, from the statement of the "Basis of Appeal", that appellants have conceded that such language in the contract did embrace the

species of motion picture which is continually described and referred to by appellants as a talking motion picture, as opposed to a silent motion picture. Appellants further (Op. Br. p. 34) state that their case does not depend upon whether or not the contract appears to be "clear and certain upon its face as to the grant of 'talking rights'", but upon their assertion of a contrary usage or custom.

Appellee herein, in view of the arguments made by appellants, will urge that this case presents, in essence, an issue of law as to the interpretation of the written contract. The language therein contained has been judicially construed in the precise connection in which it appears in such contract and in which appellants now assert recourse should be had to evidence of a trade custom. Such a judicial determination of the meaning of the terminology used herein under practically parallel circumstances, together with ample internal indication of the intent of the parties as to such meaning, is superior to and makes irrelevant any asserted claim of a different meaning to be derived from custom. The contract itself provides that it shall be construed [Par. 10, Tr. p. 19] in accordance with the laws of the United States and of the State of New York. The authorities upon which appellee relies establish or reflect such laws. If, as appellants seem to urge, there is a conflict between the laws of the United States and of the laws of the State of New York, and if the authorities upon which appellee has relied and upon which it will rely herein, establish a law of the United States in conflict with the State of New York, then this

court herein will follow the laws of the United States. It is not believed, however, that such conflict exists. The present action is one for infringement of copyright, wherein the laws of the United States are paramount. No special sanctity exists with respect to an action for infringement as against the rendition of a summary judgment. Infringement in the usual case often involves a question of fact as to whether the defendant has copied the literary work belonging to the plaintiff. That question is not presented here. The photoplay actually produced by the appellee, and which is asserted to be the infringement, is, for the purposes of this action, conceded to be a motion picture version of the actual literary work referred to in the contract and the pleadings. The issue is not whether the work of appellants has been copied and so infringed, but whether the usage of such work by the appellee under the terms of the contract in question was authorized thereby. It is obvious that infringement cannot be claimed by a copyright proprietor against a grantee for the doing of an act authorized under the terms of a grant the execution of which is not denied.

## POINT I.

### A. The Language of the Grant Contained in the Contract Has Been Judicially Construed as Including the Right to Make a Talking Motion Picture.

Under the contract [Tr. p. 13] the plaintiffs herein granted, assigned and sold

*“the exclusive, complete and entire motion picture rights”* [Subdiv. (a) Tr. p. 13] *“the exclusive right to make motion picture versions thereof, and to produce and reproduce one or more motion picture photoplays \* \* \* and the exclusive right to use in conjunction with such motion picture versions such devices for the recording and/or reproduction of sounds as may from time to time be utilized as a part of the presentation and exhibition of the photoplays, together with the right to utilize any music or orchestration, score or numbers in connection with said pictures as may be desired”* [Subdiv. (b), Tr. p. 14].

A grant of the “exclusive moving picture rights” has been construed to include the right to make a talking motion picture.

*L. C. Page & Co. v. Fox Film Corporation* (1936),  
83 Fed. (2d) 196.

In the case of *L. C. Page & Co. v. Fox Film Corporation* (1936), 83 Fed. (2d) 196, the United States Circuit Court of Appeals for the Second Circuit had at issue an identical question. In that case one Richards was the author of a literary work entitled “Captain January”. On October 8, 1923, the author, by written contract, granted to the plaintiff L. C. Page & Co. “the exclusive moving



picture rights" in the work. Two months later the plaintiff made a subgrant to Principal Pictures Corporation of all motion picture rights in the same work, but with the reservation that the rights so granted did not include the right to use spoken works or words produced by sound of any kind, or dramatic rights. In 1935 the defendant desired to purchase all necessary rights for a talking picture in "Captain January". It actually purchased the rights of Principal Pictures Corporation and then obtained a quitclaim from the original author, Richards. Upon this basis it commenced production of a modern motion picture and the plaintiff brought action. The District Court refused to grant a preliminary injunction, which decision was reversed on appeal. The issue was whether the grant to the plaintiff L. C. Page & Co. in October of 1923 of "the exclusive moving picture rights" in the work was sufficient to vest in the plaintiff ownership of the right to make a talking motion picture, or whether such grant included only the right to make a silent motion picture, it being apparent that if the latter alternative were true then Fox Film Corporation, through its purchases from Principal Pictures and from the author, had obtained the necessary rights to permit it to proceed. If the original grant to the plaintiff L. C. Page & Co. was as inclusive as claimed by it, then the subsequent grant by Page to Principal Pictures of the right to make a silent motion picture only did not divest Page of its right and interest in the residue. The court concluded that the grant of "the exclusive moving picture rights" was sufficient; that the modern talking motion picture was but a species of the genus and that the generic term "moving picture rights" comprehended both talking moving picture rights and silent moving picture rights.

The court points out (p. 198) that in 1923, when the contract was executed, "talkies" were not commercially known, though inventors had been experimenting with the idea. It is noted also that the plaintiff Page very shortly after that time indicated an intention to separate the right to make a silent motion picture from the right to make a talking motion picture, since it separately granted the silent motion picture rights to Principal Pictures Corporation. The court then says (p. 199):

"Nevertheless, we can entertain no doubt that the words used, 'the exclusive moving picture rights,' were sufficient to embrace not only motion pictures of the sort then known, but also such technical improvements in motion pictures as might be developed during the term of the license, namely, the term of the copyright. The development of mechanism making it possible to accompany the screen picture with the sound of spoken words was but an improvement in the motion picture art. As the plaintiff well says, 'talkies' are but a species of the genus motion pictures; they are employed by the same theatres, enjoyed by the same audiences, and nothing more than a forward step in the same art. Essentially the form and area of exploitation were the same. The mere fact that the species 'talkies' may have been unknown and not within the contemplation of the parties in their description of the generic 'moving pictures' does not prevent the latter from comprehending the former."

Appellants attempt to distinguish this case (Op. Br. p. 29) primarily upon the ground of their belief that the decision does not represent the law of the State of New York and that, inasmuch as the court in the *Page* case therein declines to follow the decision of the New York



Court of Appeals in *Kirk La Shelle v. Armstrong*, 263 N. Y. 79, 188 N. E. 163, the New York law must be different. Appellants also infer that in the *Page* case the Second Circuit Court of Appeals was governed by a construction placed upon the contract by the parties themselves shortly prior to the commencement of the action. Neither of these attempted points of distinguishment is tenable.

The *Page* case was decided by the Second Circuit Court of Appeals and arose in the District Court for the Southern District of New York. The opinion does not mention the state in which the contract between Page and the author Richards had been executed, and there is not the slightest indication that the conclusion was in any way based upon the place of execution of such contract. The court does discuss the case of *Kirk La Shelle v. Armstrong*, 263 N. Y. 79, 188 N. E. 163, suggests that the case seems opposed to the view it itself held, suggests, likewise, that there may be a ground of distinguishment, but that, in any event, if the decision were actually contrary, it felt constrained to follow the doctrine of the Supreme Court of the United States in *Kalem v. Harper Bros.*, 222 U. S. 55, 32 Sup. Ct. 20, 56 L. Ed. 92.

We suggest that the case of *Kirk La Shelle* can be distinguished in any event, but that there is no real necessity for so distinguishing the decision. The appellants herein base their criticism of the *Page* case upon paragraph 10 of the contract at bar [Tr. p. 19], which provides that "Each and every term of this agreement shall be construed in accordance with the laws of the United States of America and of the State of New York". The court in the *Page* case was, of course, applying some law and,

since the action before it arose in the Southern District of New York, it would seem obvious that the law being applied was either the law of New York or of the United States. The contract now before this court provides that it should be construed according to the laws of the United States *and* of the State of New York. If, as appellants contend, there exists a conflict between such laws, then the language of the contract represents an impossible situation, for both laws could not be applied. The contract does not give priority or preference to either law, and we submit that if there is a conflict between the state laws of New York and the laws of the United States, making the literal language of the contract impossible to obey, this court will follow the laws of the United States, as reflected in the *Page* case, rather than what is asserted to be the law of the State of New York, as evidenced by the *Kirk La Shelle* case.

However, we do not believe such conflict actually exists and that, in addition to the ground of explanation mentioned by the court in the *Page* case, there are at least two others, to-wit: That the *Page* case was an action for infringement of copyright, while the *Kirk La Shelle* case was merely an action on contract for a division of money. Again, the *Page* case was an action by the asserted owner of a right in a literary work against a person utilizing the same work under claim of title, and the action was, therefore, one to determine ownership of rights in a literary work. The *Kirk La Shelle* case did not involve title to any rights in or to a literary work, but involved only a dispute as to the division of proceeds following the sale by one party of literary rights concededly belonging to it. The question was really one as to whether the contract in question should be so interpreted as to imply

a covenant of good faith between contracting parties jointly interested in the matter.

The New York case of *Kirk La Shelle v. Armstrong, supra*, which has been referred to, involved the famous stage play "Alias Jimmy Valentine". Metro-Goldwyn-Mayer, a motion picture producer, had purchased the exclusive motion picture rights, including both the right to make a silent motion picture and the right to make a talking motion picture, and had paid the sum of \$15,000, which was the subject of the controversy. There was no question but what M-G-M owned all necessary rights to make any kind of a motion picture. The appellant sued the respondent for half of this money under the terms of an agreement between them, which had apparently been executed in 1921. Under that agreement it was provided that, as between the parties thereto, there would be an equal division of all money received from any revivals of the play, and that all contracts thereafter made "affecting the title to the dramatic rights (exclusive of motion picture rights)" should be submitted to the appellant for approval. The question was whether the inclusion of the language just quoted implied that a separate sale of talking motion picture rights would be a matter affecting the title to the dramatic rights to the extent that thereby the agreement to divide proceeds would be applicable. No question of infringement was involved. The court discusses a number of cases, including *Harper Bros. v. Klaw & Erlanger*, 233 Fed. 609, and *Manners v. Morosco*, 252 U. S. 317, 40 Sup. Ct. 335, 64 L. Ed. 590. It states that such cases (which it viewed as controlling) established, in the ultimate analysis, the rule that in every contract there exists an implied covenant of good faith and fair dealing which should prohibit either party from

doing anything which will injure or destroy the right of the other to receive the fruits of such contract. It further states that such cases were decided not on copyright law but on the law of contracts. The case, as a whole, deals with the old question of whether there is competition between the legitimate stage and the motion picture and, since the plaintiff therein was the owner of half of the stage rights, the contract would not be so construed as to allow the defendant to dispose of a competing right without paying to the plaintiff one-half of the proceeds, as required by that contract.

The parallel of the *Page* case to the case at bar, and the differences between the case at bar and the *Kirk La Shelle* case are evident. Both the *Page* case and the case at bar are actions in the Federal court for infringement of copyright. Both involve, primarily, only the interpretation and the determination of the scope of a grant of "the exclusive motion or moving picture rights". Both involve the claim that such grants did not include the right to make a talking motion picture thereunder. The *Kirk La Shelle* case, on the other hand, was not an action for infringement. It did not involve the title to any class of right in a literary work, since such rights were concededly in a third party, to-wit, M-G-M. It involved only the question as to division of proceeds of the sale of a right, without questioning the right of any party to make such sale. If the *Kirk La Shelle* case, therefore, establishes the law of New York, it is in connection with a law which is not material herein. It is not basically in conflict with the *Page* case, which does offer a direct parallel.

The court in the *Page* case states that it felt itself constrained to follow *Kalem Co. v. Harper Bros.*, 222 U. S. 55, 32 Sup. Ct. 20, 56 L. Ed. 92, rather than the *Kirk La Shelle* case if the latter were actually in conflict. The *Kalem* case was decided by the Supreme Court of the United States in November of 1911. It came up on appeal from the Second Circuit which, in turn, had considered an appeal from the Southern District of New York. The decision does not consider the terms of a contract, but a portion of the copyright statute. It was therefore, likewise, an infringement case, and clearly, if there be any difference, reflects the law of the United States. Its conclusions and reasoning are wholly in harmony with the opinion in the *Page* case in that it construes a generic term as including and embracing all species, whether a particular species be at the time known and contemplated or not.

As the decision in *Page v. Fox Film Corporation*, *supra*, is complete and pointed, as it covers upon approximately parallel facts the specific question herein involved, and since appellants cannot distinguish the same upon any argument based upon paragraph 10 of the contract, it is submitted that, for all purposes herein, a grant of the "exclusive, complete and entire motion picture rights" must be deemed to be a grant embracing and including all subsidiary divisions of the generic right and as, hence, authorizing the production of a talking motion picture. Appellants, in addition, criticize the effect of such decision by inferring that therein the court accepted a construction which had been placed upon the language by the parties *Page* case. Therein the parties had executed a prior con-themselves. We submit there is no such holding in the



tract, using the same language, that is to say, a contract dated some time prior to 1923, and the court merely states (p. 199) that the phrase should have the same meaning in each of such contracts, but it does not indicate that the parties had thereby placed a construction upon their own terms. The parties to the contract in question were the author and Page. Page, as the grantee and acting separately, had, shortly after the date of the contract being interpreted, indicated its belief that the blanket grant contained in the contract of 1923 was inclusive of the talking as well as the silent rights, by executing a sub-grant to Principal Pictures Corporation which, by its terms, was clearly restricted to a conveyance of the silent rights alone. Such sub-contract was not between the parties to the original contract of 1923, and the execution thereof by Page could not be said to represent a construction placed upon the 1923 contract by the actual parties thereto, to-wit, Page and the author. It indicates simply that Page, at least, assumed that it had an inclusive grant. The court does not base its ultimate decision in any way, directly or by inference, upon the fact that Page alone had so construed the original grant to it and the argument that such action by Page alone could influence the interpretation of the prior contract is negated by the statement of the court that it had been shown that the original author had been aware of such action or its implications. Appellants do not attack the *Page* case in any other way and we submit the decision is not only highly persuasive but controlling.

**B. The Language of the Contract Herein Involved Gives Internal Evidence That the Parties Intended the Grant to Be as Broad as Indicated in the Preceding Section Hereof.**

The contract herein, in addition to the grant of "the exclusive, complete and entire motion picture rights" contains other harmonious language and nothing which would be restrictive of such general grant. In the initial recital it states that the purchaser "is desirous of acquiring *all* of the motion picture rights." The grant of such rights, containing the language first above quoted, is included in a separate paragraph or subdivision of the contract [Tr. p. 13]. Distinct therefrom and in a different paragraph [Tr. p. 14] there was transferred "the exclusive right to make *motion picture versions* thereof" and "to adapt, arrange, change, transpose, add to, and subtract from the said writings and the title and theme thereof," and "the exclusive right to use, in conjunction with said motion picture version such devices for the recording and/or reproduction of sounds as may from time to time be utilized as a part of the presentation and exhibition of the photoplays", together with the right to use music if desired. The contract then states that nothing therein shall be deemed to grant "the right to utilize any device for the recording or reproduction of sounds by *radio* or other means than such as are utilized as a part of the entertainment connected with the projection of the pictures upon the screen, simultaneously therewith."

Appellants plead and argue that there are three separate categories of rights within the possible scope of any such grant; that is to say, there is the silent right, to-wit, the right to make a silent motion picture of the old type, in



which the story is portrayed by pantomime alone, supplemented by printed titles or sub-titles; second, "sound rights" or the right to utilize sound effects such as the noise of a storm, the report of a gun, or an imitation of the hoof-beats of a galloping horse, in connection with the presentation of an otherwise silent motion picture; and that the third category, described as "dialogue rights" or "talking rights" alone includes the right to use speech and dialogue in connection with the literary composition produced in the form of a talking motion picture.

Such cataloging of rights is, we submit, intrinsically illogical. The right to reproduce noise, however harmonious or appropriate, is not a property of the author or protected under copyright. On the legitimate dramatic stage, for instance, a license to produce a play does not need to include any separate license of sound as distinguished from dialogue. Sound, if so distinguished, will mean mere noise, and incidental noises such as, in addition to those suggested, a cough, a sneeze, a whistle, the slam of a door, the crash of a broken dish, the ring of a bell, do not require separate coverage and yet any one of such noises may well convey an expression of emotion by the actors, or a different development in the action. The usage of such sound effects would ordinarily be within the artistic discretion of the actual director or producer of the play—not the author.

Spoken dialogue is certainly sound and that "sound" as used in the contract is inclusive of spoken sound is apparent from the reservation in the contract of the right to reproduce sound by *radio* or other means *separate from* and not simultaneously with *the projection of pictures* upon the screen, as the contract actually reads [Tr. p. 14]. Radio

as up to the present used, conveys sound alone to the listener. If sound as used in the contract meant various noises alone, then there would be no meaning to the reservation of such radio rights, for a miscellaneous collection of noises such as bells, shots, footsteps, thunder, etc., could not convey the idea of the literary work or play. In order to appreciate the force of the reservation one needs only to ask in what possible manner a mystery play such as "Sh! The Octopus" could be presented in an intelligible manner over the radio other than through the use of dialogue. Music may adequately express emotion and is often descriptive of some phenomenon such as a storm, but a play, particularly of the type herein involved, would be beyond the reach of anything but the spoken word. Impressionistic or descriptive noises in such a case would be wholly meaningless over the radio unless accompanied by dialogue. It is, of course, elementary that in the construction of a document every portion shall be given some effect if possible, and it is therefore submitted that the reservation in the authors of the right to utilize any device for the reproduction of sounds by radio can mean only the reservation of the right to reproduce spoken dialogue by radio. If the contracting parties believed it necessary to reserve the right to reproduce spoken dialogue by *radio*, that is to say, by a specific means, it necessarily follows that such parties contemplated the use of spoken dialogue by other means by the grantee so long as such usage was a part of the entertainment.

Nor is the reservation confined to the usage of radio alone, though radio offers the clearest common example. The reservation also reserved a similar right to reproduce sounds by any means other than such as might be utilized

*simultaneously* with the production of the pictures upon the screen. Such reservation obviously has in mind any separate reproduction of the play such as by phonograph records, wherein there would be no visual assistance. The analysis with respect to a phonograph record would be the same as with respect to a radio, that is to say, the usage of dialogue would be absolutely necessary. The parties, therefore, have reserved to the authors what can only be construed as the right to reproduce dialogue in any way *separate* from the picture. The conclusion is inescapable that, except for the reproduction of dialogue separate from the picture, the grantee should have that right, and the reproduction of dialogue in, or *simultaneously* with, the exhibition of a visual picture, is precisely the thing which appellants claim herein did not pass under their grant. The instant the purely visual is distinguished from the purely audible the extent of the grant herein is made perfectly clear by the implications of the express reservation.

Another internal indication of importance is the fact that the contract itself was executed and all grants therein contained were conveyed by not only the two individual appellants Gallaher and Murphy but also by The M. & G. Amusements, Inc., a New York corporation. Murphy and Gallaher are described in the contract [Tr. p. 13] as the authors, but all three executing parties are described as the "owner". The appellants in their complaint [Tr. p. 6] make plain the position of The M. & G. Amusements, Inc. to be the "Producing Manager" in the production of "Sh! The Octopus" upon the legitimate stage. As is said in

the *Page* case, *supra*, it is immaterial whether the rights of The M. & G. Amusement Co. be considered as merely contractual or to involve the grant of some proprietary interest in the work. The corporation joined in the grant. It was not one of the authors. Presumably it had some interest in the legitimate stage rights to the play. If visual, that is, silent rights alone, were in contemplation, the joining of such corporation as a grantor would not have been necessary under the authority of *Klein v. Beach*, 232 Fed. 240; affirmed (C. C. A.), 239 Fed. 108, a case which is subject to comment in *Kirk La Shelle v. Armstrong*, *supra*, upon which appellants appear to rely. The inclusion of such corporation as a grantor indicates very clearly that the parties meant more than noise or sound effects when they granted in our contract the motion picture rights and the right to use "in conjunction with said motion picture versions such devices for the recording and/or reproduction of sounds as may from time to time be utilized as a part of the presentation and exhibition of the photoplays."

"Sound" from time immemorial has been accepted as a generic term including the articulated sound known as speech as well as any other stimulus to the auditory sense. "From you sounded out the word of the Lord" (1 Thess. i. 8) does not imply mere noise, but the conveyance of intelligence by sound, that is to say, by speech.

Appellants appear to consider but one aspect of the internal evidence in the contract. They urge that the price

of \$10,000 paid them would be pitifully inadequate for a grant of anything more than the right to make a silent picture. They apparently overlook the fact that the right to use the dialogue in a photoplay, if retained or reserved as they claim, is a right which neither they nor anyone else than the appellee could possibly use. If there is any one thing clear from the situation it is that, while a photoplay might be visual only or silent, no one could make a photoplay with spoken dialogue alone. There is no contention by the appellants that the appellee does not own the entire and exclusive right to make a visual or photographic version of the play. That right, at least, was concededly granted for the full period of copyright, with all renewals thereof [Contract Paragraph 11, Tr. p. 19]. Under no circumstances whatsoever is there any reversion of such photographic rights to the appellants. Neither they nor any assignee under them, other than the appellee, could ever make a motion picture of any type or kind. If their present claim is regarded in its true light they would have, at most, a right to use dialogue in a motion picture, but no right at all to make a motion picture in which such dialogue could be used. The right claimed by them is wholly useless to them or anyone except the appellee.

We submit it to be intrinsically incredible that they should grant, in perpetuity and without possibility of reverter, the "motion picture rights" with the intent of excluding from such grant a single attribute or element useful only to their original grantee. Their comments regarding the adequacy of the price do not carry convic-



tion, and on the contrary, indicate that if values are to be considered, then the fact that the right (which they now claim) is useless to them is extremely persuasive that there had been no intent to exclude such single factor from the grant for which so large a sum as \$10,000 was paid.

What the appellants urge is that they conveyed only the right to reproduce a pantomime of the play, with incidental noise or music. Their attempt to segregate a sound effect from the spoken word is as inconsistent as a claim that they had also reserved the right to control the type of scenery or the physical size or length of the presentation, or other such details. Even with respect to the old silent picture there are sub-species possible and known generally. A picture may be either flat or stereoscopic, that is to say, giving the illusion of three dimensions. It may be in black and white or in color. It may be projected on a screen as in a theatre, or may be of a type to be viewed individually, as in the old penny arcade machines. Any of these, though widely differing, would apply to but one sense, to-wit, the visual sense. Any form of sound would merely apply to a different and additional sense, to-wit, the auditory. A still further appeal to one of the remaining senses, such as the olfactory, would increase the illusion, and is perfectly practicable. As is stated in the cases cited, these are or would be but advances or improvements upon the basic form of art and the attempt of the appellants to distinguish between such entirely subsidiary improvements or devices in the face of their own grant of the inclusive and generic right is without merit.

## POINT II.

**The Allegations Concerning a Trade Custom or Trade Usage Herein Do Not, Either With or Without Recourse to Affidavits Filed in Connection With the Motion for Summary Judgment, Raise Any Material Issue of Fact.**

The appellant herein alleges in paragraph IV of the second cause of action [Tr. pp. 7-9] that at the time of the execution of the contract there was in existence and generally known to and throughout the motion picture trade and industry, three distinct classifications of literary and dramatic rights. These classifications have already been mentioned and described. The complaint alleges that there was a generally well recognized, uniform trade custom and trade usage to purchase or sell the particular class or classification of the rights desired, and that there was a general trade usage and custom that the sale or grant of "motion picture rights" did not then include sound or talking or dialogue rights unless expressly provided for at the time of sale, and that the grant of "motion picture rights", together with the right to use "sound" in conjunction therewith, did not include "dialogue" and talking rights, unless expressly provided, and that such custom and usage was well known and that the agreement entered into was made with full knowledge by each of the parties of such trade customs and trade usages, and with the intention that same should apply to the agreement.

Appellants, as their "Basis of Appeal" (Op. Br. p. 6) present only the question above indicated. In their Point III (Op. Br. pp. 19-29) they quote, from several sources, excerpts indicating that the existence of a usage or custom presents a question of fact for the jury and that (Point



IV) the presence of a factual issue should preclude a summary judgment.

In presenting such argument appellants describe their authorities as establishing the law of New York, again in reliance upon paragraph 10 of the contract, which provides that same shall be construed in accordance with the laws of the United States *and* of the State of New York. By such argument and allegations plaintiffs and appellants seek to cut down the scope of their original grant so as to entitle them to claim infringement.

(a) EVIDENCE OR THE ASSERTION OF A CUSTOM OR USAGE CANNOT PREVAIL AGAINST EXPRESS LANGUAGE USED IN A WRITTEN CONTRACT, OR WHEN THE LANGUAGE HAS RECEIVED A JUDICIAL INTERPRETATION.

The latest New York authority cited by the appellants appears to be that of *Miller v. Fischer*, 142 App. Div. 172, 126 N. Y. S. 996. This case, decided in 1911, concerned a deal represented by a telegram and two postal cards, which the court, for the purpose of argument, assumed would constitute a binding written contract covering the delivery of a load of ice at a specified price. A boat had been furnished, presumably under the contract, but no ice ever formed that particular winter, upon which the boat owner nevertheless demanded his price. The defendant contended that there was a custom known to the parties that boats engaged for the transport of ice should not be paid for unless marketable ice should form. The trial court ruled that the contract was specific and that the proof of custom was immaterial. The appellate court made the statement quoted by appellants (Op. Br. p. 23).

However, following the portion so quoted the court also said:

“Parties are presumed to contract in reference to a uniform, continuous and well-settled usage or custom pertaining to the matters as to which they enter into agreement, where such usage is not in opposition to well-settled principles of law, and is not unreasonable, and not in contradiction of the express terms of the contract, whether such contract be written or oral.”

The court then cites *Walls v. Bailey*, 49 N. Y. 464, 10 Am. Rep. 407; and *Schipper v. Milton*, 51 App. Div. 522, 64 N. Y. S. 935, upon which the appellants here likewise rely. The *Miller* case actually does no more than conclude that, even if the parties there had a contract, its terms were not sufficiently specific to preclude evidence of a custom. As applied to the case at bar the authority begs the question and wholly ignores the fact that our contract here is specific, both by judicial determination of the terms used, and because of ample internal evidence precluding a claim of ambiguity or uncertainty.

Many New York cases, much later in point of time than those cited by the appellants, establish the rule that custom and usage may not be invoked to contradict plain and unambiguous terms of a contract.

*Richard v. Haebler*, 36 App. Div. 94, 55 N. Y. S. 583;

*McIntosh v. Pendleton*, 75 App. Div. 621, 78 N. Y. S. 152;

*Kerber Straw Hat Corporation v. Lincoln*, 239 App. Div. 727, 268 N. Y. S. 745;

*Cole v. Manufacturers Trust Co.*, 164 Misc. 741, 299 N. Y. S. 418;

17 C. J., 495;

27 R. C. L., 172, Sec. 20;

*Transatlantic Shipping Co. v. St. Paul Fire & Marine Insurance Co.*, 9 Fed. (2d) 720.

In the case of *Richard v. Haebler, supra*, a contract was involved calling for the delivery of a certain number of barrels of cement of a specified weight per barrel. The merchandise did not meet the weight specified and it was asserted that it was competent to show a custom that an average weight less than the specified weight should be accepted. This view was rejected by the court, which said (55 N. Y. S. 588):

“Under such a contract, where the meaning of the language used is definite and certain, the only result of admitting evidence of usage or custom would be to render it ambiguous, and to substitute for the contract made one entirely different.”

In a dissenting opinion in such case the general rule is conceded to be (p. 590):

“It is undeniable that evidence of a custom or usage inconsistent with the terms of a contract is not competent, and that it can only be resorted to, to explain the intent of parties, when that intent cannot be ascertained without that evidence, and that it never can be given to contradict or vary the terms of a contract.”

The latter language is particularly appropriate here, in view of the fact that if there could be any doubt as to the scope of a grant of exclusive and entire motion picture rights, nevertheless, as demonstrated, the intent of the parties can be ascertained with precision from ample

internal evidence in the contract itself. As stated by the learned judge above, custom would be irrelevant unless the intent cannot be ascertained without evidence of such a custom.

In *Heimerdinger v. Schnitzler*, 231 App. Div. 649, 248 N. Y. S. 597, the contract concerned a sale of bonds and contained the term "sellers sixty days". The claim was made that under the usage of a particular bond market the term had a particular meaning. Proof of the custom was not sufficiently made but the court ruled that, in any event, the assertion would not have been material because (p. 599):

"The expression 'seller's sixty days' has an ordinary well-defined meaning. It has been construed as meaning: 'The sale made by the plaintiff was optional in the sense that the seller reserved the privilege of delivering the stock at any time within sixty days in pursuance of the contract'. *Sistare v. Best*, 88 N. Y. 527, 533. The written contract, therefore, between the parties, is clear. For the purpose of explaining an ambiguity in a contract, the existence of a custom may be proven. It may not, however, be employed to alter clear legal obligations of the parties to a contract. As was said in *Hart v. Cort*, 165 App. Div. 583, 584, 151 N. Y. S. 4, 5: 'That custom may not be shown to contradict the express terms of a contract is conceded. Is it competent to contradict those terms which attach to it by implication of law? I think, both on principle and authority, this question must be answered in the negative.'"

The purport of the decision is plain, that is to say, the particular expression had received a judicial construction. It was therefore clear, and was not, for that reason, sub-

ject to alteration on claim of usage. A similar conclusion was reached by the court in the case of *Kerber Straw Hat Corporation v. Lincoln*, *supra*, wherein a particular expression was sought to be explained by usage upon which there had already been a decision. The court said (p. 747):

“The defense of custom not only tends to contradict the plain and unambiguous terms of the contract, but in addition seeks an interpretation of its language contrary to prior judicial construction of language of like import.”

In *Cole v. Manufacturers Trust Co.*, 164 Misc. 741, 299 N. Y. S. 418, at page 429, the court, in considering a claim of usage under a pledge agreement, said:

“If banks and financial institutions have been resorting to this practise under a note such as the one in suit, the practise clearly is unauthorized. In any event, irrespective of what the practise may be, custom and usage may not be invoked ‘in contradiction to the fair and legal import of the contract.’ ”

There can be no question but what the foregoing authorities and, as well, all of those cited by the appellants, are sufficient to establish the rule of New York, and of the United States, that custom and usage are irrelevant and incompetent in construing the language of a contract which is definite and certain, and that they would always be irrelevant except in connection with a contract wherein the intent of the parties cannot be determined from internal and intrinsic indications in the contract itself, or otherwise than by resort to evidence of usage. Appellants nevertheless, on page 34 of their opening brief, state that their case does *not* depend upon



whether the contract “appears to be clear and certain upon its face as to the grant of ‘talking’ rights”, but on their claim alone of the existence of a custom or usage. It is plain that our contract is clear and certain and that therefore, any allegation of a usage to the contrary would merely make uncertain and ambiguous what has been clearly specified by the parties. Appellants claim that the authorities upon which appellee has relied do not give any indication that custom or usage had ever been pleaded therein. It is apparent from the examination of the cases cited that the relevant dates involved are parallel, and it may not be inappropriate to remark that the complete omission of the parties to the reported cases to raise any such issue is of significance.

(b) THE ALLEGATIONS AND SUPPORTING AFFIDAVITS CONCERNING CUSTOM AND USAGE DO NOT HERE RAISE ANY MATERIAL ISSUE OF FACT, OR OTHER THAN A QUESTION OF LAW.

The appellants allege that a custom or usage of a certain type existed. If such assertion be taken as supported by either an uncontradicted affidavit or by conflicting assertions in affidavits, there is still only the question of law, inasmuch as the matter of the validity or effect of a custom of usage is for the court, as well as the question of whether undisputed facts and circumstances offered to show the existence of a custom or usage are sufficient for that purpose.

The claim of appellants in this case would be at its strongest if the evidence were entirely in their favor without conflict, and yet, as is stated in *27 Ruling Case Law*, page 196:

“Perhaps the true view is that proof of usage involves questions both of law and fact, and that it is a question of law as to what is a sufficient usage to bind the parties, and that when the facts are undisputed it becomes a question of law whether such usage has been established, and its binding force upon the parties. Under such circumstances, it cannot be left to the jury to determine whether the usage existed, or what operation or force must be given to it.”

There are several elements requisite to a custom or usage. It must be reasonable (*17 C. J.* 467); it must not be excluded by the provisions of the contract; it must be certain and uniform and compulsory (*17 C. J.* 451, 453).

The custom or usage here asserted would separate sound in the sense of sound effects from sound as including speech. We have already shown the unreasonableness of such a distinction, which unreasonableness is increased if it be assumed, as appellants do, that the contract herein involved was executed during a transitional period in the development of the art (*Op. Br.* p. 3).

The contract here excludes the idea of the incorporation of any usage, for in paragraph 10, upon which appellants so heavily rely in other connections, it is specifically stated that the contract should be construed according to the *laws* of the United States and of the State of New York. It is said in volume *17 Corpus Juris* at page 473:

“\* \* \* for it is obvious that, if proof of a usage could be rejected because it established some-



thing different from the law, no custom would ever be proved, because if it were *not* different *it would be a part of the law.*”

The very idea of pleading and attempting to prove a usage is to attempt to show that the parties meant something different from what an ordinary person might infer from the language used, that is to say, as is indicated from the quotation above given, there would be no attempt to prove a custom unless such custom were asserted to be different from the law. In our particular case the parties have specifically agreed to be bound by the laws, and yet appellants seek, in contravention to the contract, to force resort to evidence of a contract differing from the standard the parties themselves have chosen.

The parties, of course, were under no compulsion to establish a standard of construction. When they do so and mention a particular and definite thing it is elementary that by such inclusion they exclude all others. It is equally elementary that in such a situation the question is immaterial as to what the parties meant to say. We have here a written contract and the question to be determined is simply what the parties meant by what they actually did say. If they meant to say that the contract should be construed according to the laws and customs and usages extant at the time in the industry in New York, they nevertheless did not do so.

Furthermore, in connection with the summary judgment rendered, appellants imply that because this action is an infringement action there can be no proper decision under the circumstances. They assert (Op. Br. p. 38) that infringement was alleged in the complaint and was denied in the answer, and that the pleadings, therefore,

left an issue of fact. We have already pointed out that such issue of fact does not exist under the pleadings in that the alleged infringement does not involve the determination of the customary issue of fact, to-wit, whether there has been copying. It is conceded in the pleadings that the photoplay made is based upon the literary work in question and it is very clear that whether or not there has been an infringement does not depend upon the proof of any fact but on the interpretation of the written contract or grant under which appellee claims to have the full right to do what it did do. The authorities cited by the appellants in this connection are entirely irrelevant.

On the other hand, it is clear from the record herein that even on the pleadings it would be proper to have rendered judgment for the defendant and appellee. Motion for judgment on the pleadings was made in the case of *Cinema Corporation of America v. De Mille*, 267 N. Y. S. 327, 149 Misc. 348. Therein, under the pleadings, one of the defendants had contended that talking motion picture rights had not passed under a specific contract. He had given up all rights in the literary work, including "dramatic rights" and "moving picture rights". The court points out that if the various forms of rights in a story are split up and so become separated, then a party wishing to make a talking motion picture would have to obtain the permission both of the owner of the silent motion picture rights and the owner of the dramatic rights. This comment is very pertinent when it is considered that The M. & G. Amusement, Inc., joined in the conveyance involved

in the instant case. In the cited authority the court concluded the plaintiff was entitled to judgment on the pleadings.

In the present action the pleadings raise only the issue of the interpretation of the written contract in connection with which both the complaint and the answer differ. The pleadings likewise assert and deny the existence and effect of a particular trade usage or custom which again, as shown herein, presents an issue of law. In the ordinary case the pleadings are taken at their face value on a motion for judgment on the pleadings, while on a motion for summary judgment they are appraised at their real value.

Here we believe the claim of the appellants could have been disposed of upon motion for judgment on the pleadings and, since the affidavits presented do not in any way change the true issues, the real value of the complaint herein is clearly shown as involving nothing more than the interpretation of a written document, and the appraisal, the force, validity and effect of an asserted custom, in the face of judicial decision and express language of the very contract at issue.

Moreover, the contract here involved was executed in 1928. This action was commenced approximately nine years later. The defense of laches was pleaded [Tr. p. 58]. Such dates furnish all the material necessary for a determination as to the issue of laches, inasmuch as there is nothing in the affidavits which would tend to explain

or excuse such lapse of time. In *Monroe v. Ordway*, 103 Fed. (2d) 813 (C. C. A. 8th Circuit, 1939), the court had under consideration on appeal a motion for summary judgment upon the pleadings. Summary judgment had been had below on the ground that the cause of action had been barred by laches. The Circuit Court held that there had been no error. The case, therefore, is authority both for the proposition that summary judgment can be rendered upon the ground of laches alone and also that a summary judgment may with propriety be granted on the basis of the pleadings.

### Conclusion.

The appellants herein, for the sum of \$10,000, made an outright grant. They are now attempting to secure a decision of the court restricting and limiting that grant. In order so to do they have asserted that there was a custom in the motion picture industry to divide motion picture rights into three species. In the face of the extremely pertinent holding in *L. C. Page & Co. v. Fox Film Corporation*, 83 Fed. (2d) 196, and in the face of provisions and reservations in the contract clearly inconsistent with their claim, they assert that, under such custom, the expression "the exclusive, complete and entire motion picture rights" embraced only one of the three species asserted. The authorities cited and the internal evidences of the contract shows that the language is generic. Appellants practically concede that the grant is clear and certain, and is generic upon its face. They rely

upon appeal upon the claim that the record presents a conflict of fact with respect to the custom which they propose as contrary to the clear and certain terms. We submit that the issue herein is simply one of construction of that contract and that, in construing any contract, the court may have before it a large number of conceded facts which it must sift, and therefrom determine the legal consequences. Here it is in no way conceded that there are conflicts as to the existence of a custom, but, if so, the position of the appellants is untenable here, if, as has been herein demonstrated, they could be in no better position upon their own entirely uncontradicted assertions as to such custom. The case here has not been pre-tried upon affidavits, nor have the appellants been deprived of their day in court. Nothing they have presented does more than raise an issue of law which has been determined properly by the trial court.

Respectfully submitted,

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